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ABSTRACT

This report asserts that welfare reform has been very successful in reducing child poverty. For a quarter-century prior to reform, black child poverty and poverty among single mothers remained virtually constant. Six years after reform, poverty among both groups dropped rapidly, reaching the lowest levels in U.S. history. Welfare rolls have plummeted, employment of single mothers has increased dramatically, and child hunger has declined substantially. In all recessions since the beginning of the war on poverty in the mid-1960s, child poverty has increased sharply, but in the 2001 recession, child poverty did not rise at all. Black children are perhaps the ones enjoying the most success from welfare reform, with 1.2 million black children released from poverty since 1996. While many black children still live in poverty, hundreds of thousands are better off than they were 6 years ago. For every black child whose economic condition has worsened in the past 6 years, six black children have risen out of poverty. The status of black children in extreme poverty varies depending on the measure of income used in the analysis. The report concludes that Congress must strengthen work requirements in the reauthorization of welfare reform by challenging and engaging America's most vulnerable families still in poverty so they can realize their full potential. (Contains 9 footnotes.) (SM)

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SHARP REDUCTION IN BLACK CHILD POVERTY DUE TO WELFARE REFORM

MELISSA G. PARDUE

Over six years ago, Congress overhauled much of the nation's welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996¹ replaced the failed social program called Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF). The reform legislation had three primary goals: (1) reduce welfare dependence and increase employment, (2) reduce child poverty, and (3) reduce illegitimacy and strengthen marriage.

At the time of the law's enactment, many liberal groups made dire predictions about the terrible effect these reforms would have on America's children. In particular, the Children's Defense Fund claimed that welfare reform would cast millions more children into poverty and hunger.²

These predictions were wrong, and welfare reform in fact produced the opposite results.³ Many groups, including academic institutions and public policy organizations, have published a wide variety

of research showing the reform's undeniable success.⁴ The documentation of this success has already begun to play a crucial role in the TANF reauthorization process scheduled in Congress for the coming months.

REDUCED BLACK CHILD POVERTY

In the almost seven years since the welfare reform law was enacted, economic conditions have improved dramatically for America's poorest families. Welfare rolls have plummeted, employment of single mothers has increased dramatically, and child hunger has

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found at: [www.heritage.org/
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1. Public Law 104-193.
2. Children's Defense Fund, "How the Welfare Bill Profoundly Harms Children," July 31, 1996.
3. See Robert Rector and Patrick F. Fagan, "The Continuing Good News About Welfare Reform," Heritage Foundation *Background* No. 1620, February 6, 2003.
4. See Rebecca M. Blank and Robert F. Schoeni, "Changes in the Distribution of Children's Family Income over the 1990's," University of Michigan, January 2003, and June E. O'Neill and M. Anne Hill, "Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work," Manhattan Institute *Civic Report* No. 17, July 2001, pp. 8-9.

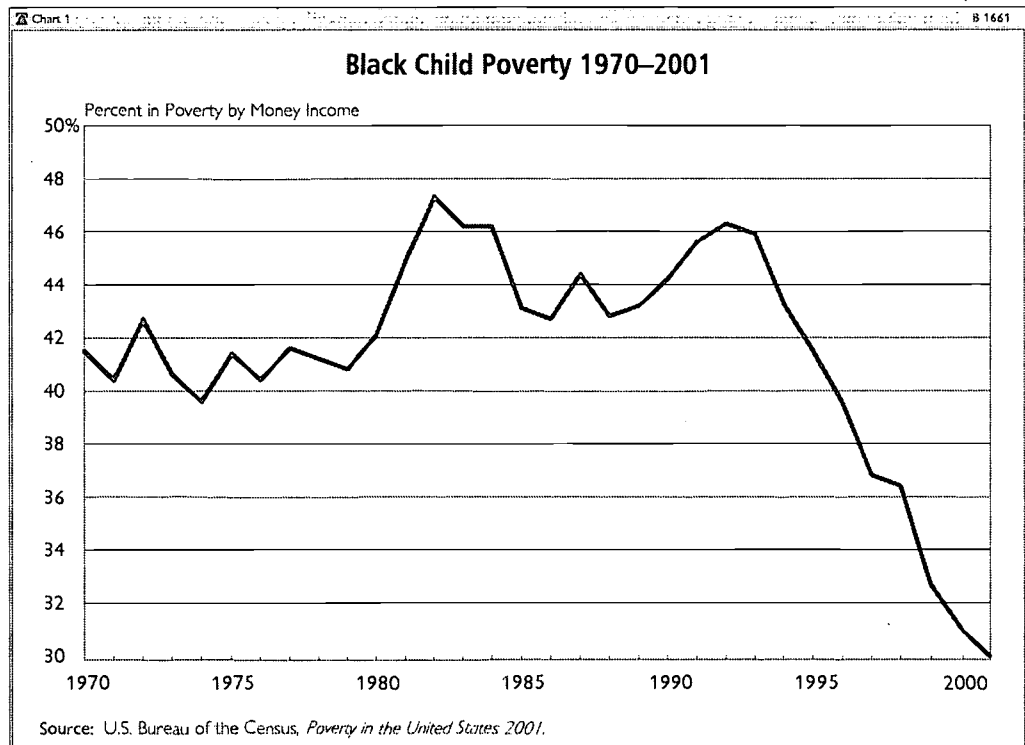
declined substantially. Most striking, however, has been the effect of welfare reform on child poverty, particularly among black children.

However, a report recently released by the Children's Defense Fund shows that the number of black children under age 18 living in extreme poverty increased to nearly one million in 2001.⁵ Extreme poverty is defined as having an after-tax income of less than half of the federally defined poverty line. For a family of three, the poverty line was \$14,128 in 2001, which would make the extreme poverty line \$7,064 for that year. These findings show an increase of roughly 145,000 black children in the extreme poverty category since the enactment of welfare reform.

Although not incorrect, these findings can mislead readers about the success of welfare reform by focusing on a narrow slice of the entire child poverty population that has otherwise significantly improved under the reformed welfare system. While the number of black children living in extreme poverty is certainly a cause for concern, the overall level of child poverty, particularly among black children, has made tremendous progress:

- For the 25 years prior to welfare reform, the percentage of black children living in poverty remained virtually unchanged.
- Since welfare reform, the poverty rate among black children has dropped by one-fourth, falling from 41.5 percent in 1995 to 30.0 percent in 2001.

- The black child poverty rate is at its lowest point in U.S. history.
- Since welfare reform, over 1.2 million black children have been lifted out of poverty.
- Since welfare reform, six black children have been made better off and lifted out of poverty for every black child whose economic condition has worsened.



As Chart 1 shows, for the 25-year period prior to welfare reform, there was little change in black child poverty. Black child poverty was actually higher in 1995 (41.5 percent) than it was in 1971 (40.4 percent).

With the enactment of welfare reform in 1996, however, black child poverty plummeted at an unprecedented rate, falling by more than a quarter to 30 percent in 2001. Over the six-year period after welfare reform, 1.2 million black children were lifted out of poverty. Despite the economic recession in 2001, the poverty rate for black children was at the lowest point in national history.⁶

5. See Children's Defense Fund, "Analysis Background: Number of Black Children in Extreme Poverty Hits Record High," April 2003, at www.childrensdefense.org/pdf/extreme_poverty.pdf.

The Children's Defense Fund largely ignores this significant decline in black child poverty. They see the glass as 1/7 empty rather than 6/7 full. In fact, these findings actually emphasize the importance of targeting welfare reform at those families in extreme poverty, most of whom perform little or no work.

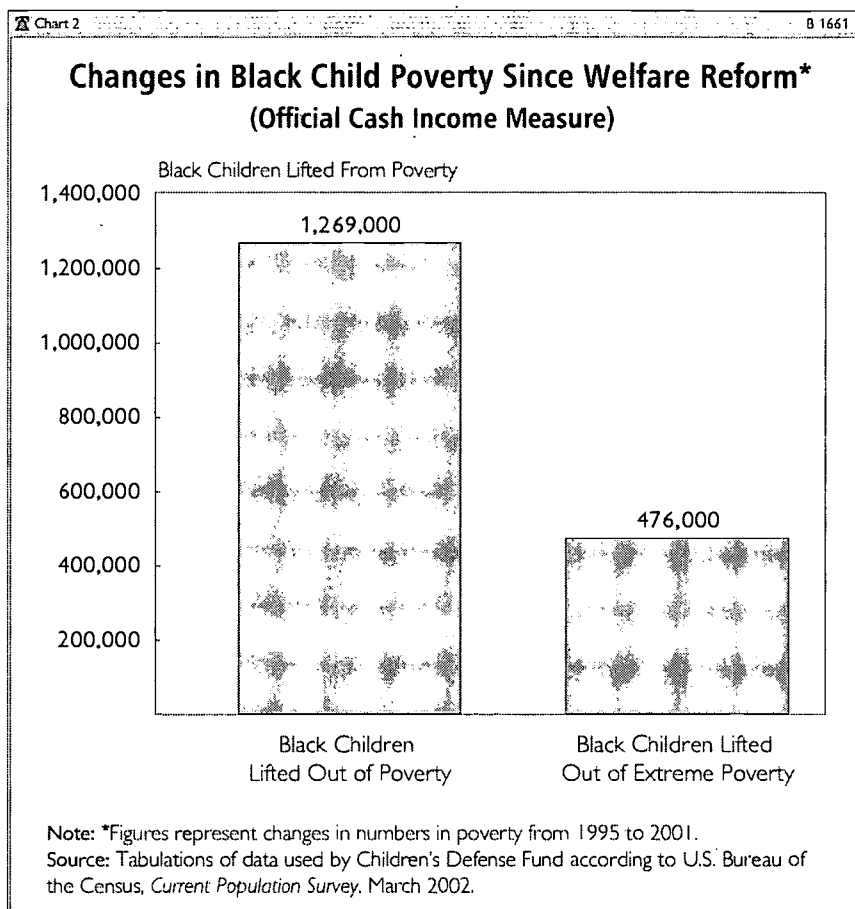
BLACK CHILDREN IN EXTREME POVERTY

The status of black children in extreme poverty varies depending on the measure of income used in analysis. Social scientists can use varying definitions of "income" in evaluating the effects of welfare reform on poverty. Two common definitions are the official cash income measure and the near-cash income measure.⁷

The official cash income measure—often called "money income"—is the most common measure used by the Census Bureau and is used to determine the official poverty rates in America. It includes most cash income received by the family but excludes a wide range of welfare aid.

The near-cash income measure—often known as an "expanded" definition of income—can include the value of a variety of welfare aid such as food stamps, the earned income tax credit (EITC), housing benefits, and school lunch subsidies. It also deducts Social Security taxes from income. Therefore, the count of persons living in poverty will vary depending on what economic resources are included as part of the family's income.

As Chart 2 shows, under the official definition of cash income, the number of black children living in extreme poverty has actually decreased since 1995, prior to welfare reform. Nearly half a million black



children were lifted out of extreme poverty by 2001.

Only when using an "expanded" definition of cash income—the near-cash income measure—does the number of black children living in extreme poverty increase. As Chart 3 presents, a near-cash income measure shows an increase of 145,000 in the number of black children in extreme poverty since 1995. Although this is correct, the Children's Defense Fund used this definition of income with a great deal of ingenuity in order to find negative news among the overall positive results of the past six years.

Table 1 further highlights the significant differences between the two definitions of "income."

6. All data from U.S. Bureau of the Census, *Poverty in the United States 2001: Current Population Reports Series P60-219* (Washington, D.C.: U.S. Government Printing Office, 2001), p. 21.
7. For further details on the income definitions available, see U.S. Bureau of the Census, *Money Income in the United States, 1999*, Appendix A.

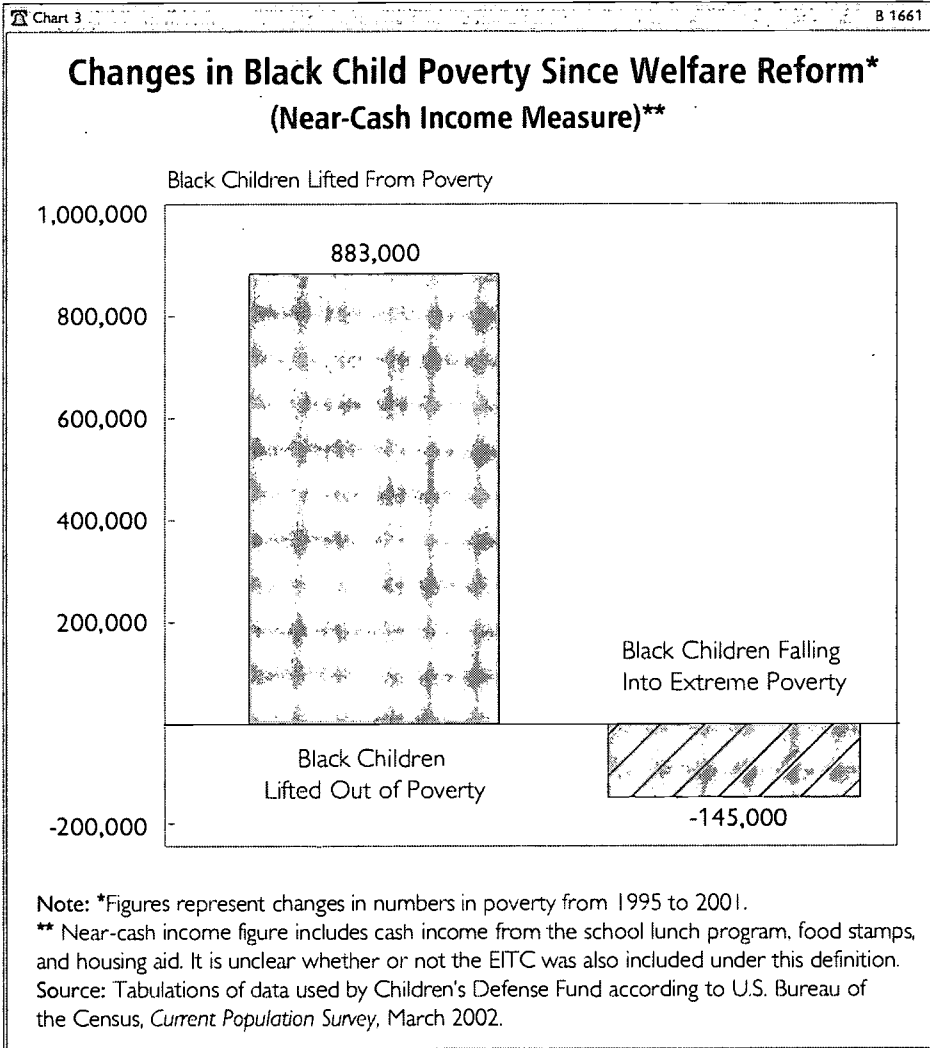


Table 1 B 1661

Changes in Black Child Poverty (Numbers in Thousands)

	1995	2001	Change 1995–2001
Official Cash Income Measure			
Black Children in Poverty	4,761	3,492	-1,269
Black Children in Extreme Poverty	2,342	1,866	-476
Near-Cash Income Measure			
Black Children in Poverty	3,658	2,775	-883
Black Children in Extreme Poverty	821	966	145

Source: Tabulations of data used by Children's Defense Fund according to U.S. Bureau of the Census, *Current Population Survey*, March 2002.

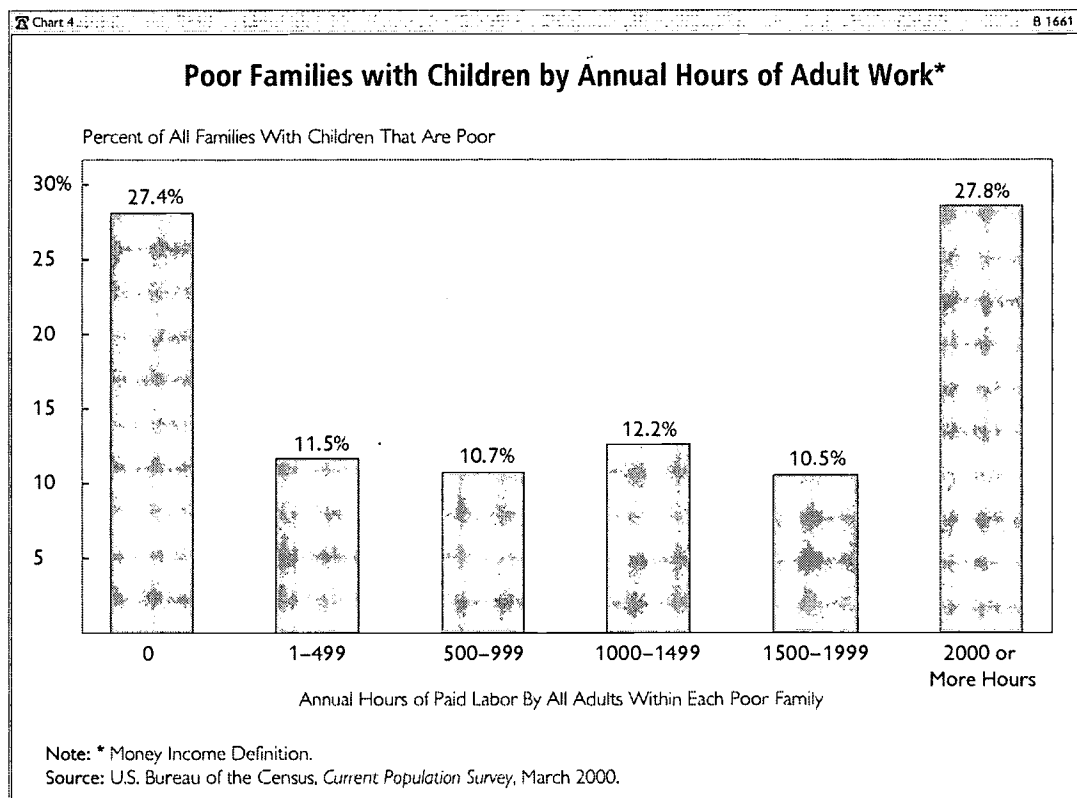
WORK LEVELS AMONG AMERICA'S POOREST FAMILIES

As the data show, the overwhelming majority of black families took advantage of the opportunity presented by welfare reform. However, a small percentage of poor black families with children did not respond positively to welfare reform. This occurred because among this group, relatively few parents in these families are employed full- or even half-time. This extreme poverty group is perhaps best viewed as the population that welfare reform has not yet reached.

The essence of welfare reform, and its subsequent success, is accountability. When Congress replaced the failed AFDC program with TANF, national "work requirements" were imposed for the first time, mandating that recipients engage in constructive activities that lead to self-sufficiency in exchange for benefits. Such activities include community service work, training, and a supervised job search.

Despite the tremendous success of the overall reform, many of the work-related aspects of welfare reform remain incomplete. Nearly half of the 2 million adults receiving TANF—about 60 percent of the able-bodied caseload—are still idle on the work rolls, collecting welfare without engaging in work or other constructive activities. Low levels of work

participation are especially evident among black families with children living in extreme levels of poverty.



As Chart 4 shows, nearly three-fourths of poor families with children did not engage in full-time/full-year employment, which is defined as one adult working 40 hours per week for 50 weeks, or 2,000 hours of work per year. Low work levels by parents are the major cause of extreme child poverty.

While some poor families with children are "working families," the average levels of employment are actually quite low. Roughly one-quarter of poor families with children had no adult employed at any time during that year. Another one-quarter had an adult employed for less than 1,000 hours during the year, and another quarter had less than 2,000 hours. Overall, nearly half of all poor families with children have less than 1,000 hours—which is considered part-time—of paid employment throughout the year.⁸

8. U.S. Bureau of the Census, *Current Population Survey*, March 2000. See also Robert Rector and Rea Hederman, Jr., "The Role of Parental Work in Child Poverty," *Heritage Foundation Center for Data Analysis Report No. 03-01*, January 27, 2003.

In particular, the work levels of those families in the extreme poverty category tell a significantly more dismal story. Black families with children in extreme poverty, on average, have only 405 hours of work per year, and 60 percent of these families performed no work during the year.⁹

NEXT STEPS FOR CONGRESS

The major reason that families remain in poverty despite the overwhelming success of welfare reform is because they participate in very little work. TANF has been very successful in increasing employment levels among many of its recipients. Therefore, the TANF program should be strengthened, not weakened.

Currently, nearly 60 percent of TANF recipients remain idle on the rolls. As part of the reauthorization process, Congress should increase the share of TANF recipients who are required to participate in such constructive activities as employment, job search, community service, or training. Policies that challenge these families to engage in employment or prepare for work will dramatically reduce the proportion of black families living in extreme poverty.

Many groups that strongly opposed the 1996 welfare reform, such as the Children's Defense Fund, are once again seeking to criticize and undermine its success. The unfortunate fact that some children remain in poverty, especially extreme levels of poverty, is no reason to turn back the clock on welfare reform.

It was almost inevitable that a certain proportion of the population would not initially respond to the reform. In response, these vulnerable groups should be a major focus of the refinement and reauthorization process. Policymakers should renew the challenge of welfare reform rather than restore the failed system of permissive entitlements and one-way handouts. Reauthorization efforts in Congress should focus on families still living in extreme poverty and seek ways to engage these vulnerable groups in employment and self-sufficient lifestyles.

CONCLUSION

The successful track record of welfare reform in reducing child poverty is stunning. For a quarter-century prior to reform, black child poverty and poverty among single mothers remained virtually constant. Six years after reform, poverty among both groups dropped rapidly, reaching the lowest levels in U.S. history. In all recessions since the beginning of the War on Poverty in the mid-1960s, child poverty has increased sharply; but in the 2001 recession, child poverty did not rise at all.

Black children are perhaps the ones most enjoying the success of welfare reform, with 1.2 million black children released from the grip of poverty since 1996. While many black children still live in poverty, hundreds of thousands are better off than they were six years ago. In fact, for every black child whose economic condition has worsened in the past six years, six black children have risen out of poverty.

This overwhelming success, however, does not mean that the process of welfare reform is complete. The number of children—particularly black children—in poverty can be reduced further only by building on the success of the past six years, not by backpedaling to a culture of idleness and one-way handouts. The old welfare culture of permissive entitlements must be replaced by one of reciprocal obligations.

Policies that consistently ignore the current low levels of work among America's poorest families will not succeed in further reducing or eliminating poverty. Congress must strengthen work requirements in the reauthorization of welfare reform by challenging and engaging America's most vulnerable families still suffering from poverty so that they can realize their full potential.

—Melissa G. Pardue is Harry and Jeanette Weinberg Fellow in Social Welfare Policy at The Heritage Foundation.

9. U.S. Bureau of the Census, *Current Population Survey*, March 2002.



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